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GAS UTILITY DISTRICT NUMBER 1
of EAST BATON ROUGE PARISH
FINANCIAL STATEMENTS

June 30, 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1/27/10

WILLIAM P. GAINES, JR., CPA
A Professional Accounting Corporation

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Gas Utility District No. 1
of East Baton Rouge Parish
Zachary, Louisiana

I have audited the accompanying financial statements of Gas Utility District No. 1 of East Baton Rouge Parish, Louisiana, a related organization of the East Baton Rouge Parish Government, as of and for the year ended June 30, 2009 as listed in the table of contents. These financial statements are the responsibility of Gas Utility District No. 1's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

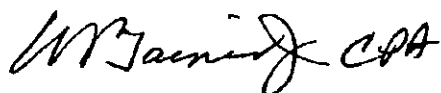
In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gas Utility District No. 1 of East Baton Rouge Parish as of June 30, 2009 and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT
PAGE 2

Management's discussion and analysis on page 3 is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, I have also issued my report dated October 1, 2009, on my consideration of Gas Utility District No. 1 of East Baton Rouge Parish's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

My audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule 1 listed in the table of contents as supplementary information is presented for purposes of additional analysis as required by the Louisiana Governmental Audit Guide and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in black ink, reading "W. Gaines, Jr. CPA". The signature is fluid and cursive, with the "CPA" part written in a slightly different, more formal script.

William P. Gaines, Jr., CPA
October 1, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of Gas Utility District # 1 of East Baton Rouge Parish presents narrative overview and analysis of the District's financial activities for the year ended June 30, 2009. This document focuses on the current year's activities, resulting changes and currently known fact in comparison with the prior year's information. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The revenues of the District exceeded its expenses as of June 30, 2009 by \$756,254.
- At June 30, 2009, the District's assets totaled \$2,458,802.
- The District reported gas sales of \$2,544,147 during the year ended June 30, 2009.
- The District's Meter Deposit had an increase in the year ended June 30, 2009.
- The District's Gas System had approximately \$127,880 of major capital additions.

Overview of the Financial Statements

The preparation of these financial statements requires the utilization of significant estimates, many of which will not be known for many years.

Condensed Statements of Retained Earnings

	June 30, 2009	June 30, 2008
Total Assets	<u>\$ 2,458,802</u>	<u>\$ 1,671,865</u>
Total Liabilities	<u>426,726</u>	<u>396,043</u>
Retained Earnings	<u>\$ 2,032,076</u>	<u>\$ 1,275,822</u>

GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH
BALANCE SHEET
ENTERPRISE FUND
JUNE 30, 2009

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 240,256
Investments	1,289,428
Billed accounts receivable	28,821
Less allowance for uncollectible	(3,000)
Unbilled accounts receivable	85,247
Prepaid insurance	<u>62,987</u>

TOTAL CURRENT ASSETS 1,703,739

RESTRICTED ASSETS

Cash - Bond redemption fund	5,023
Cash - Customer meter deposit	<u>144,992</u>

TOTAL RESTRICTED ASSETS 150,015

NONCURRENT ASSETS

Capital Assets	
Land	22,900
Buildings	369,910
Machinery and equipment	406,165
Furniture and fixtures	36,003
Vehicles	187,377
Gas system	1,883,739
Contributed assets	6,000
Billing software	21,465
Less accumulated depreciation	(2,328,581)
Deposits	<u>70</u>

TOTAL NONCURRENT ASSETS 605,048

TOTAL ASSETS \$ 2,458,802

See accompanying notes

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH
BALANCE SHEET
ENTERPRISE FUND
JUNE 30, 2009

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES

Accounts payable	\$ 799
Current portion, compensated absences	70,144
Net OPEB obligation (Note 5)	<u>39,441</u>

TOTAL CURRENT LIABILITIES 110,384

NONCURRENT LIABILITIES

Unclaimed bonds	5,023
Customer meter deposits	136,089
Compensated absences	<u>175,230</u>

TOTAL NONCURRENT LIABILITIES 316,342

TOTAL LIABILITIES 426,726

FUND EQUITY

Contributed capital	6,000
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Retained earnings -

Reserved - Bond redemption	5,023
Reserved - Customer deposits	144,992
Unreserved	<u>1,876,061</u>

Total - retained earnings 2,026,076

TOTAL FUND EQUITY 2,032,076

TOTAL LIABILITIES AND FUND EQUITY \$ 2,458,802

See accompanying notes

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
 RETAINED EARNINGS
 ENTERPRISE FUND
 FOR THE YEAR ENDED JUNE 30, 2009

OPERATING REVENUES

Gas sales	\$ 2,544,147
Service charges	43,975
Other income	<u>79,572</u>

TOTAL OPERATING REVENUES	<u>2,667,694</u>
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OPERATING EXPENSES

Gas purchases	577,053
Payroll	554,742
Insurance	131,002
Compensated absences	66,180
Employee benefits	91,281
Post retirement benefits	85,497
Repairs and maintenance	65,762
Depreciation expense	71,920
Employee retirement	64,104
Payroll taxes	48,460
Fuel	29,967
Legal and professional	21,550
Postage	17,340
Gas purchases fee	7,455
Office expense	12,967
Telephone	11,798
Utilities	12,417
Supplies	18,450
Miscellaneous	5,814
Small tools	9,917
Employee training and seminars	15,590
Janitorial and trash	4,888
Dues	4,588

Continued

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS (continued)
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2009

One call concept	1,806
Security	504
Drug testing	1,164
Rental of equipment	1,377
Bank charges	895
Taxes and licenses	385
Freight	<u>61</u>
TOTAL OPERATING EXPENSES	<u>1,934,934</u>
OPERATING INCOME	<u>732,760</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest income	<u>23,494</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>23,494</u>
NET INCOME	<u>756,254</u>
RETAINED EARNINGS, at beginning of year	<u>1,269,822</u>
RETAINED EARNINGS, AT END OF YEAR	<u>\$ 2,026,076</u>

See accompanying notes

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Operating income	\$ 756,254
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	71,920
Changes in assets and liabilities	
(Increase) Decrease in receivables	5,253
(Increase) Decrease in unbilled receivables	(8,321)
(Increase) Decrease in prepaid expenses	(2,621)
Increase (Decrease) in accounts payable	(5,971)
Increase (Decrease) in compensated absences	(12,276)
Increase (Decrease) in other payables	<u>48,930</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>853,168</u>

CASH FLOWS FROM

NONCAPITAL FINANCING ACTIVITIES	0
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CASH FLOWS FROM

CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	<u>(127,880)</u>
NET CASH (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(127,880)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest earned on investments	23,494
Deposited in CD's	<u>(643,259)</u>
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(619,765)</u>

NET (DECREASE) IN CASH	105,523
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CASH AT BEGINNING OF YEAR	<u>284,748</u>
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CASH AT END OF YEAR (NOTE 2)	<u><u>\$ 390,271</u></u>
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See accompanying notes

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH

NOTES TO FINANCIAL STATEMENTS

Introduction and Nature of Activities

The Gas Utility District No. 1 of East Baton Rouge Parish (hereinafter referred to as the "District") is a political subdivision of the State of Louisiana and a related organization of the East Baton Rouge Parish Government. The District was created by the East Baton Rouge Parish government on November 8, 1961, under the provision of R.S. 33:4301, and operates under a Board of Commissioners form of government. The commissioners are appointed for a term of five years, except to fill an unexpired term. There are nine commissioners, seven of which are appointed by the East Baton Rouge Parish Council and two which are appointed by the Mayor of the City of Zachary. The District provides natural gas to homes and businesses in a defined area of East Baton Rouge Parish, Louisiana. The District serves approximately 3,200 customers and has approximately 13 employees.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Effective for the year ended December 31, 2004, the District implemented Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The most significant change as a result of the implementation of Statement No. 34 is, for the first time, the District included a Management's Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations. The implementation of this new accounting pronouncement did not change the District's policies for recognizing revenues or expenses and did not result in any changes in reporting earnings or retained earnings of the District.

B. Reporting Entity

Gas Utility District No. 1 of East Baton Rouge Parish is a related organization of the East Baton Rouge Parish government (the primary government). Organizations for which a primary government is accountable because the government appoints a voting majority of the board, but is not financially accountable, are related organizations. The East Baton Rouge Parish government is not financially accountable for the District. The accompanying financial statements present only financial information of this related organization and no other organizations.

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

C. Fund Accounting

The Gas Utility District is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

The District follows all GASB pronouncements and all FASB statements and interpretations that were issued prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, as described in paragraph 6 of GASB 20.

D. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The Enterprise Fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

E. Cash and Cash Equivalents

Cash includes cash on hand and cash in interest bearing demand deposits. Cash equivalents include amounts in time deposits (CD's) and investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest bearing demand deposits or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

F. Investments

The District has investments in certificates of deposit totaling \$ 1,289,428 in 2009. Governmental Accounting Standards Board Statement 9 requires non-negotiable certificates of deposits with an original maturity of more than three months be classified as investments.

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

G. Inventory

The District's inventory, valued at the lower of cost or market, consists of hot water heaters and gas space heaters. Cost is determined using the first-in first-out method. The current balance of inventory is zero.

H. Unclaimed Bonds

All outstanding bonds matured on June 1, 1987 and do not earn any interest from that date. The interest rate on the bonds was 4% per annum. The balance remaining of unclaimed bonds is \$5,023.

I. Prepaid Items

The District's only prepaid asset consists of prepaid insurance. The District's insurance policy period is February 1 through January 31.

J. Restricted Assets

Certain proceeds of the Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The District has sufficient funds in demand deposits to redeem all bonds still outstanding. Also, the District must maintain in demand deposits an amount equal to customers' deposits for service.

K. Fixed Assets

Fixed assets of the District are included on the balance sheet of the fund. Depreciation is charged as an expense against operations.

Fixed assets are recorded at cost and depreciated using the straight line method over their estimated useful lives. The estimated useful lives are as follows:

Buildings	25 years
Machinery and equipment	5 - 12 years
Furniture and fixtures	5 - 10 years
Vehicles	5 years
Gas systems	15 - 40 years

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

L. Accounts Receivable

All accounts receivable result from billings to customers for natural gas used.

M. Bad Debts

Uncollectible accounts due from customers are recognized as bad debts through the establishment of an allowance account. In 2009, the allowance account was deemed to be sufficient; consequently, no adjustments were made. The bad debt expense, changed to the allowance account, for June 30, 2009 was \$2,870.

N. Unbilled Accounts Receivable

The District has its customer routes divided into 4 billing cycles which are the 1st, the 8th, the 16th, and the 22nd of each month. Under this procedure, meters are read and billed based on their billing cycle. At the end of the month, customers will have used some gas for which they have not yet been billed. At the end of June, an entry is made to accrue this unbilled revenue.

O. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

P. Income Taxes

The District is a local governmental entity that is exempt from income taxes.

Q. Compensated Absences

The District's policy on vacation allows the carryover of vacation days. The number of days allowed is determined by the length of service. The maximum number of vacation days that can be accumulated is 45. Sick leave is earned at the rate of one day for every month worked. Employees vest sick leave days up to 10 years of service. The maximum at that level is 6 months full pay and 6 months half pay. At the date of termination, an employee will be paid for any unused vacation and sick leave at their then current rate of pay. The estimated amount of vacation and sick leave to be used in the coming year is considered a current liability. The balance of the unpaid vacation and sick leave is considered a long term liability.

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

R. Pension Fund for Employees

The District established the "Gas Utility District No. 1 of East Baton Rouge Parish Money Purchase Plan" effective June 1, 1979. Union Planters Bank is the trustee of this defined contribution plan.

The plan is funded by monthly contributions of 10% of eligible employee wages paid between July 1 and June 30. The plan allows eligible employee contributions of up to 10% of their wages. To be an eligible employee, an individual must be 21 years of age and have been employed by the Gas Utility District for six months.

The District uses Union Planters Bank's Non-Standardized Defined Contribution Prototype Plan and complies with the provisions of the Tax Reform Act of 1986 which became effective in 1993. The vesting schedule presently being applied is as follows:

1 - 2 years participation	0% vested
3 years	20% vested
4 years	40% vested
5 years	60% vested
6 years	80% vested
7 and over years	100% vested

When an employee leaves employment and the employee is not fully vested, the unvested portion is used to reduce the current year's contribution.

The contributions for the year ended June 30, 2009 were \$64,104.

S. Post Employment Benefits

The District provides certain health care benefits, in accordance with the policy adopted by the Board of Commissioners, to all employees who retire from the District and to the retirees' beneficiaries and dependents who were receiving benefits when the retiree died. At June 30, 2009, the District had two retired employee's dependent who was receiving these benefits. The District recognizes the cost of providing these benefits by expensing the annual insurance premium, which was \$32,155 for the year ended June 30, 2009.

T. Related Party Transactions

There were no related party transactions.

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

U. Litigation and Claims

There were no litigations or claims against the District.

V. Subsequent Events

There were no subsequent events.

W. Reserves of Retained Earnings

Reserved retained earnings represent those portions of the retained earnings which are either not available for expenditure or legally segregated for a specific future use.

The Reserved - Bond redemption of \$5,023 for June 30, 2009 is required by the bond issuance documents. A sinking fund was required to accumulate the cash to pay off the revenue bonds and the related interest as they came due. This amount satisfies all the bonds and interest that remain unclaimed.

The Reserved - Customer deposits of \$136,089 at June 30, 2009 is required as an escrow fund for deposits made by customers. There must always be on deposit an amount at least equal to the deposits made by customers. This money cannot be used for any other purpose.

NOTE 2. CASH AND CASH EQUIVALENTS

At June 30, 2009, the District had cash and cash equivalents of \$390,269 as follows:

Current Assets	<u>2009</u>
Cash on hand	\$ 900
Cash in interest bearing demand deposits	<u>239,354</u>
Total in current assets	\$ 240,254
Restricted Assets	
Cash in interest bearing demand deposits	5,023
Cash in interest bearing demand deposits	<u>144,992</u>
Total in restricted assets	<u>150,015</u>
Total Cash and Cash Equivalents	<u>\$ 390,269</u>

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

These deposits are stated at cost, which approximates market. Under state law, these deposits or bank balances must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2009 the District had \$1,679,698 in deposits (collected bank balances and certificates of deposit). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$2,162,509 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statements No. 3, La. R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3. FIXED ASSETS

A summary of fixed assets at June 30, 2009 follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land	\$ 22,900	\$ -0-	\$ 22,900
Buildings	369,910	348,134	21,776
Machinery and equipment	406,165	342,071	64,094
Furniture and fixtures	36,003	34,719	1,284
Vehicles	187,377	154,511	32,866
Billing software	21,465	7,192	14,273
Gas system	1,883,739	1,441,954	441,785
Contributed assets	<u>6,000</u>	<u>-0-</u>	<u>6,000</u>
	\$ 2,933,559	\$ 2,328,581	\$ 604,978

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

A summary of changes in fixed assets at June 30, 2009 follows:

<u>Asset</u>	<u>06/30/08</u>	<u>Additions</u>	<u>Retirements</u>	<u>06/30/09</u>
Vehicles	\$ 187,377	\$ -0-	\$ -0-	\$ 187,377
Billing Software	21,465			21,465
Buildings	362,010	7,900		369,910
Equipment	359,763	46,402		406,165
Furniture	36,003			36,003
Gas System	1,810,161	73,577		1,883,738
Land	22,900			22,900
Contributed Assets	<u>6,000</u>			<u>6,000</u>
	\$ 2,805,679	\$ 127,879	\$ -0-	\$ 2,933,558

NOTE 4. RISK MANAGEMENT

The District is exposed to various risks of loss; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has purchased commercial insurance to cover these risks. The District purchased coverage for general liability; building and contents on the buildings; commercial auto liability, comprehensive, collision, and uninsured motorists; and workers compensation. The total insurance cost for fiscal year ended June 30, 2009 was \$131,002.

NOTE 5. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description. Gas Utility District No. 1 of East Baton Rouge Parish (The District) administers a single employer defined benefit healthcare plan ("the Retiree Health Care Plan"). The plan provides, until age 65, healthcare insurance for eligible retirees and their spouses through a group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the District and the health insurance company and are renegotiated annually. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy. Contribution requirements are directed by the Board of Directors. The District contributes 100% of the cost of the current year premiums for eligible retired plan members and their spouses. For fiscal year ended June 30, 2009, the District contributed \$-0- to the plan. Plan members receiving benefits contribute none of their premium costs. In fiscal year 2009, total member contributions were \$ -0-.

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation. The District's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC). The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$ 85,497
Interest on net OPEB obligation	-0-
Adjustment to annual required contribution	<u>-0-</u>
Annual OPEB cost (expense)	85,497
Contributions made	<u>(46,056)</u>
Increase in net OPEB obligation	39,441
Net OPEB obligation – beginning of year	<u>-0-</u>
Net OPEB obligation – end of year	<u>\$ 39,441</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2009 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentages of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/09	\$85,497	46.13 %	\$ 39,441

Funded Status and Funding Progress. As of June 30, 2009, the actuarial accrued liability for benefits was \$772,540, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$562,795 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 128.4%.

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was based on projections of the insurer assumed to increase with medical trend rates. A rate of 10% initially, reduced to a ultimate rate of 5% after eleven years was used.

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Payroll growth rate – The expected long term payroll growth rate was assumed to be equal to the rate of inflation.

Based on the historical and expected returns of the District's short term investment portfolio, a discount rate of 4% was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 was 20 years.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress
for the Retiree Health Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Simplified Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a-b)	Covered Payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
6/30/09	\$ -0-	\$ 772,540	\$ 772,540	0.0%	\$ 562,795	137.3%

NOTE 6. REQUIRED ADDITIONAL DISCLOSURES

A. Board members do not receive per diem payments and no per diem payments were made for the year ended June 30, 2009.

B. There were no professional service payments made to contractors for surveys, feasibility studies, or special studies;

C. There were no federal award programs.

William P. Gaines, Jr., CPA
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Commissioners
Gas Utility District No. 1
of East Baton Rouge Parish
Zachary, Louisiana

I have audited the financial statements of Gas Utility District No.1 of East Baton Rouge Parish as of and for the year ended June 30, 2009, and have issued my report thereon dated October 1, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Gas Utility District No. 1 of East Baton Rouge Parish's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Entity's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination

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of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gas Utility District No. 1 of East Baton Rouge Parish's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.



William P. Gaines, Jr., CPA
October 1, 2009

SCHEDULE 1

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Gas Utility District No. 1 of East Baton Rouge Parish.
2. There were no reportable conditions in internal control.
3. There was no non-compliance which is material to the financial statements.
4. A management letter was not issued.
5. There were no findings required to be reported by *Government Auditing Standards*.
6. There were no prior audit findings.
7. There were no federal award programs.